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ABSTRACT

This booklet discusses current and past studies of Louisiana parish assessment ratios that reveal substantial inequity in administration of the property tax. Studies reveal inequities exist between parishes, and within and between classes of people; and the report discusses the effects of these inequities. Some recommendations to resolve these inequities include (1) the appointment as opposed to the election of assessors, the instigation of training programs for assessors, and the writing of constitutional and legislative amendments. (JF)

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PROPERTY TAX INEQUITIES

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PAR ANALYSIS

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PROPERTY TAX INEQUITIES

The property tax continues to be the major tax revenue source for local governments in Louisiana and throughout the country, yet it is among the most misunderstood of all taxes levied. The lack of understanding and poor administration of the property tax has resulted in many inequities within and among parishes with the effect being that many homeowners and businesses are paying disproportionately high state and local property taxes while others are paying little or nothing.

The homestead exemption program, while providing welcome relief to homeowners, adds to the complexity of administering the property tax, making it harder to understand and thus easier to mislead the taxpayers.

The confusion about the property tax has been nourished by the failure of many public officials, including the Louisiana Tax Commission, to carry out the statutory and constitutional mandates that all property be assessed equitably. This means that all property of the same value be assessed at the same dollar amount. This is not being done in Louisiana.

While the property tax is one of the most difficult taxes to administer equitably, there is ample evidence that it can be fairly administered if there is a desire to do so.

Equity in assessments can be achieved regardless of the assessment ratio being sought. That is, there can and should be equity in assessments if the ratio of assessment to full value being sought is 10 per cent, 20 per cent, 50 per cent or 100 per cent. Equity only means that *all* property be assessed at the same ratio to full value. As an illustration, assume the assessment ratio for all property in the parish is 15 per cent. This means that property valued at $100,000 would be assessed at $15,000, or 15 per cent, and property valued at $2,000 would be assessed at $300, or 15 per cent.

IMPORTANCE OF THE PROPERTY TAX

Local governments are dependent on the property tax for their major source of money. Nationally, the property tax provided 85.4 per cent of all taxes collected by local governments in 1969, the latest year for which data is available. Louisiana's dependence on the property tax was not as great as the national average, but it still amounted to 58.7 per cent of all local taxes collected.

Despite its critics and problems, the property tax will continue to be

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the major source of tax revenue for local governments, and for this reason, it is important that (1) all property be assessed equitably, or as nearly as possible at the same ratio to full value and (2) the level of assessment provide a reasonable and adequate base upon which local governments can impose their property tax rates. (Tax rates are expressed in terms of mills. One mill is one-tenth of one cent in tax for every one dollar in assessed value. Expressed another way a mill amounts to $1 dollar in taxes for every $1,000 in assessed value.) The two factors are not always directly related, for there can be equity or inequity whether assessment levels are high or low.

INEQUITIES IN LOUISIANA

Often people are not aware that inequities in assessments exist in a parish because they do not have a guideline or yardstick to use to determine the inequities. One of the most widely accepted measurements is a sales-assessment ratio study.

In the sales-assessment method, sales of property are reviewed, and only those meeting the standard of a "bona-fide" or "arms length" sale are recorded. This gives the market value of the property. The property then is located on the assessment rolls and the assessed value of the property is recorded. Dividing the market value into the assessed value gives the assessment ratio. Table 1 shows the kinds of property excluded in such studies.

One of the limitations of the sales-assessment ratio approach is that certain kinds of property, such as industrial plants or public utility systems, are rarely sold, and thus the appraisal method is normally used in determining the assessment ratio for

Table 1
KINDS OF SALES NOT USED IN SALES-ASSESSMENT STUDIES

1. Sales between parties of the same family name.
2. Sales between affiliated companies or corporations.
3. Sales by the sheriff (or other court official) or other forced or auction sales.
4. Forced or auction sales including mortgage foreclosures.
5. Sales by mortgage companies or financial institutions where their title was obtained by foreclosure.
6. Sales of cemetery lots.
7. Sales where interests such as life estates are retained.
8. Sales which include release of damage or satisfaction of indebtedness as part of the recited consideration.
9. Sales involving a trade or exchange of property.
10. Sales including personal property.
11. Sales to or from the United States of America or any federal agency.
12. Sales to or by any state, parish, city or other public body.
13. Sales to or by any railroad, telephone, bus or truck line, electric, gas, pipe line or other utility company.
14. Sales to or by any church, lodge, school or other benevolent, fraternal or educational institution or organization.
15. Sales to or by administrators, executors, guardians, receivers or trustees.
16. Sales conveying an unspecified, undivided or fractional interest in property, or conveying merely a life estate therein.
17. Sales from individual to homestead or savings and loan association and back to same individual.

such properties. Residential, and to a lesser extent commercial, properties are frequently sold, and a sales-assessment ratio approach is practical and acceptable for such properties.

In an earlier sales-assessment ratio study of all parishes based on properties sold during 1958, PAR found a wide variation in assessment levels within parishes and among parishes. The parish assessing at the highest

average ratio assessed real estate at more than four times the level of the parish assessing at the lowest ratio. Parish average assessment ratios ranged from a high of 31.5 per cent in Caddo Parish to a low of 7.1 per cent in Lafayette Parish. The grouping of ratios was:

No. of Parishes or Assessing Districts	Average Sales-Assessment Ratio
20	20 per cent and over
24	15 to 19.9 per cent
19	10 to 14.9 per cent
7	under 10 per cent

The assessment ratios within parishes were even more inequitable in that the assessment of residential property ranged from 12.5 per cent to 282.5 per cent in one parish and from 5.3 to 233.3 per cent in another parish.

RECENT STUDIES

Despite the fact that a constitutional amendment was approved in 1964 directing the Louisiana Tax Commission to determine annually the assessment ratio in each parish, the tax commission has yet to make an assessment ratio study in any parish. This is one of the nationally advertised "Right to Profit" laws which has been consistently ignored and therefore violated by the administration that sponsored its enactment. The law is still used in national advertising as an industrial inducement even though it is not being carried out. The lack of information which an assessment ratio study would produce serves to perpetuate the inequities that do exist and prevents individuals and businesses from knowing whether they are being

Table 2
SIZE OF SALES RATIO SAMPLES (USABLE SALES)

Parish	Urban Residential	Urban Unimproved	Urban Commercial	Rural Residential	Rural Unimproved	Rural Agricultural	Rural Commercial	Rural Woodland	All Classes Combined	Sampling Techniques
Allen	29	21	—	11	—	—	—	3	64	all sales
Avoyelles	63	28	4	78	1	36	—	22	232	all sales
Bossier	359	25	11	30	40	2	2	15	484	all sales
Caddo	732	137	2	18	31	—	—	—	920	every 2nd sale
Calcasieu	346	85	7	18	14	—	—	16	486	1st 15 sales in each conveyance book
E. Baton Rouge	763	187	2	—	—	—	—	—	952	1st 25 sales in each conveyance book
Grant	6	22	—	30	—	29	—	22	109	all sales
Jefferson	1,193	449	21	—	—	—	—	—	1,663	every 2nd sale
Lafayette	165	78	—	43	51	—	—	—	337	1st 10 sales in each conveyance book
Natchitoches	91	37	7	53	16	6	3	25	238	all sales
Ouachita	171	16	5	85	7	—	—	—	284	every 3rd sale
Rapides	373	123	6	113	—	5	1	3	624	all sales
Red River	8	2	4	13	21	—	—	—	48	all sales
Richland	27	13	—	19	11	3	—	—	73	all sales
Tangipahoa	43	43	—	16	5	3	—	—	110	all sales

favored, fairly assessed, or discriminated against.

In an effort to determine if changes had been made in assessment practices since gathering of its 1958 data, PAR selected eight parishes representing urban and rural areas and made an assessment ratio study based on 1970 data in all the parishes except Jefferson, which was based on an earlier PAR study using 1969 sales. This information has been supplemented by the results of a similar study by the Gulf South Research Institute based on 1970 sales which covers the seven parishes bordering the Red River. The parishes included in the PAR study are: Allen, Calcasieu, East Baton Rouge, Jefferson, Lafayette, Ouachita, Richland and Tangipahoa. Those in the GSRI study are: Avoyelles, Bossier, Caddo, Grant, Natchitoches, Rapides and Red River. Table 2 shows the size of the sample in each parish.

Table 3 compares the average sales-assessment ratio for all classes of property used in the study for 1958 and 1970 for the selected parishes.

Table 3
AVERAGE SALES-ASSESSMENT RATIO, ALL CLASSES, 1958 AND 1970, SELECTED PARISHES

Parishes	1958 Ratio	1970 Ratio
Allen	8.3%	5.7%
Avoyelles	17.8	18.3
Bossier	18.8	19.4
Caddo	31.5	24.5
Calcasieu	14.5	14.3
E. Baton Rouge	17.1	17.2
Grant	20.1	14.8
Jefferson	9.8	7.5
Lafayette	7.1	7.0
Natchitoches	18.9	12.0
Ouachita	18.9	17.4
Rapides	10.7	11.0
Red River	15.5	8.7
Richland	22.3	15.9
Tangipahoa	10.8	9.7

The average assessment ratio remained about the same (within about 10 per cent) in the parishes of Avoyelles, Bossier, Calcasieu, East Baton Rouge, Lafayette, Ouachita, Rapides and Tangipahoa. Substantial reductions (20 per cent or more) in assessment ratios were found in Allen, Caddo, Grant, Jefferson, Natchitoches, Red River and Richland parishes.

INEQUITIES AMONG HOMES

Although averages indicate the level of assessment, only by comparing the assessments on individual properties can there be an indication of the equity or inequity within the parishes. The favoritism shown to some taxpayers at the expense of others is clearly reflected in comparisons of assessments of homes of equal or different selling prices. Some examples are:

Avoyelles Parish—three houses sold for $12,000 each were assessed at $300, $840 and $4,000 respectively. A house sold for $24,000 was assessed at $1,200 while a house sold for $22,000 was assessed at $10,700.

Bossier Parish—16 houses sold at prices ranging from $15,596 to $52,673 were assessed at $4,300 each. An $8,000 house was assessed at $5,300 while two $10,000 houses were assessed at $900 and $2,300 respectively.

Caddo Parish—a $30,000 house was assessed at $21,000 while a $32,000 house was assessed at $3,000, and a $62,500 house was assessed at $11,300. A $10,000 and a $45,000 house were each assessed at $8,000.

Calcasieu Parish—a $71,875 house was assessed at $4,800 while a $12,500 house was assessed at $6,050. Of three houses sold for $20,000 each, one was assessed at $750, another at $2,320 and the third at $2,950.

East Baton Rouge Parish—a $65,000 house was assessed at $4,150 while a $22,500 house was assessed at $8,000 and a $28,000 house at $8,500. Three $50,000 houses were assessed at $4,400, $6,400 and $7,000 respectively.

Jefferson Parish—a $12,500 house was assessed at $2,100 and a $12,300 house at $400. An assessment of $4,500 was put on houses sold for $125,000, $75,000 and $45,200. Of two houses sold for $75,000 each, one was assessed at $4,500 and the other at $6,000.

Lafayette Parish—an $8,000 house was assessed at $2,200 and a $47,000 house at $2,000. An $18,000 house was assessed at $700 and a $16,000 house at $2,500. Of two houses sold for $20,000 each, one was assessed at $1,200, and the other at $2,000.

Natchitoches Parish—a $67,500 house was assessed at $5,000 and a $38,000 house at $5,100. An $8,000 house was assessed at $2,000 while a $10,000 house was assessed at $750.

Ouachita Parish—a $15,000 house was assessed at $3,800 and a $50,000 house at $3,400. Six houses sold for $35,000 each were assessed from a low of $4,000 to a high of $7,000.

Rapides Parish—assessments on four houses sold for $10,000 each were $350, $800, $1,400 and $1,500 respectively. A $15,000 house was assessed at $2,200 and a $38,000 house at $1,050.

Tangipahoa Parish—eight houses selling for prices ranging from $6,500 to $31,500 were assessed at $2,000 each. A $26,000 house was assessed at $2,000 while a $25,000 house was assessed at $3,000.

IMPROVED vs. UNIMPROVED PROPERTY

Although the law provides that property be assessed uniformly, Table 4 shows that the average assessment ratio differs from one type of property to another. The inequity is particularly evident in the different assessments on improved and unimproved property. (Improved property is property on which a house or a building has been constructed. Unimproved property is vacant land.) In several of the parishes, property with improvements was assessed at a ratio four and five times that of unimproved property. In Calcasieu Parish, for example, the average assessment ratio of residential urban property was 15.2 per cent while vacant lots (unimproved property) were assessed at 3.1 per cent. Improved property was assessed at a ratio nearly four times that of unimproved property in Lafayette and Rapides parishes. The other parishes except for Natchitoches, Ouachita and Red River, assessed improved property at a ratio two to three times that of unimproved property.

The policy practiced by most assessors of placing much lower assessments on lots, acreage and other land without buildings than on property with buildings is not only unlawful

but stifles economic growth and contributes to land hoarding.

While this policy is favored by those taxpayers who can thus hold land out of productive use at little tax expense while inflation and demand drive the price of land higher and higher, the policy is clearly contrary to the public interest for it causes land prices to be inordinately high, proportion-

Table 4
AVERAGE SALES-ASSESSMENT RATIOS, SELECTED PARISHES, 1970

Parish	Urban Residential	Urban Unimproved	Urban Commercial	Rural Residential	Rural Unimproved	Rural Agricultural	Rural Commercial	Rural Woodland	Parishwide Ratios
Allen	7.0%	2.9%	—%	5.0%	—%	—%	—%	3.0%	5.7%
Avoyelles	23.0	8.4	39.1	19.8	12.5	11.6	—	16.2	18.3
Bossier	21.0	9.0	13.6	16.9	7.4	2.0	10.0	6.0	19.4
Caddo	25.3	14.1	19.4	21.9	11.0	—	—	—	24.5
Calcasieu	15.2	3.1	11.9	15.1	2.6	—	—	3.9	14.2
E. Baton Rouge	18.2	6.7	6.4	—	—	—	—	—	17.2
Grant	59.4	21.6	—	15.0	—	8.1	—	13.7	14.8
Jefferson*	8.1	4.1	6.0	—	—	—	—	—	7.5
Lafayette	8.3	2.3	—	8.2	1.7	—	—	—	7.0
Natchitoches	14.5	9.1	8.6	9.4	6.7	7.1	7.6	8.3	12.0
Ouachita	17.2	15.1	28.0	16.8	13.9	—	—	—	17.4
Rapides	12.1	3.6	12.0	12.5	—	8.4	41.2	1.5	11.0
Red River	8.8	8.0	23.4	20.1	7.0	—	—	—	8.7
Richland	20.4	5.0	—	17.3	13.8	6.1	—	—	15.9
Tangipahoa	10.8	4.5	—	12.8	7.0	2.1	—	—	9.7

*Based on sales in 1969.

Table 5
RANGE IN ASSESSMENT RATIOS BY TYPE OF PROPERTY AND PARISH

Parish	Urban		Rural		All Classes Combined*
	Residential	Unimproved	Residential	Unimproved	
Allen	2.1%- 14.6%	0.8%- 10.8%	2.9%- 10.8%	——	0.8%- 14.6%
Avoyelles	2.0%-160.0%	1.0%-240.0%	2.2%-184.0%	——	0.8%-285.0%
Bossier	3.3%-144.0%	2.0%-100.0%	4.1%-146.0%	1.5%- 62.5%	1.1%-146.0%
Caddo	5.3%-111.0%	2.5%- 56.3%	8.0%- 66.7%	3.3%- 83.3%	2.5%-111.0%
Calcasieu	3.8%- 51.0%	0.4%- 13.3%	5.1%- 44.4%	0.9%- 8.9%	0.4%- 51.0%
E. Baton Rouge	6.0%- 65.6%	1.9%- 20.0%	——	——	1.9%- 65.6%
Grant	6.7%-148.1%	1.0%-160.0%	2.9%-166.7%	——	0.7%-300.0%
Jefferson	2.1%- 20.6%	0.3%- 26.7%	——	——	0.3%- 26.7%
Lafayette	2.5%- 65.7%	0.2%- 11.8%	3.3%- 48.1%	0.3%- 8.0%	0.2%- 65.7%
Natchitoches	3.3%- 68.8%	1.7%- 50.0%	4.1%- 73.8%	4.4%- 21.8%	1.7%- 73.8%
Ouachita	10.5%- 42.5%	10.0%- 25.0%	10.1%- 29.4%	4.0%- 20.0%	4.0%- 42.5%
Rapides	1.0%-160.0%	.12%- 96.0%	3.0%-169.0%	——	.12%-169.0%
Red River	2.9%- 80.0%	5.7%- 13.9%	4.9%-550.0%	1.0%- 50.0%	1.0%-550.0%
Richland	8.6%- 48.8%	3.0%- 16.0%	2.7%- 35.8%	4.0%- 50.0%	2.7%- 50.0%
Tangipahoa	4.1%- 30.8%	0.5%- 21.5%	8.0%- 40.0%	3.6%- 25.0%	0.5%- 40.0%

*Includes commercial, agricultural, rural commercial, rural woodland and industrial property.

ately more land is left unproductive, and the tax burden is shifted to other taxpayers.

RANGE IN INEQUITIES

In addition to the inequities in assessment of classes of property, Table 5 shows the range in assessments. The greatest ranges in assessments were from 1.0 to 550.0 per cent in Red River Parish followed by Grant Parish with a range from 0.7 to 300.0 per cent. The smallest range was from 0.8 to 14.6 per cent in Allen Parish, but even in this parish the property assessed the highest was assessed nearly 20 times that of the lowest.

Ranges of assessment ratios are great even for the same kind of property. For example, the range of assessment ratios on urban residential property in the larger urban parishes was as follows:

Parish	From	To
Caddo	5.3%	111.0%
Calcasieu	3.8	51.0
East Baton Rouge	6.0	65.6
Jefferson	2.1	20.6
Lafayette	2.5	65.7
Ouachita	10.5	42.5
Rapides	1.0	160.0

The smallest range among these parishes was in Jefferson Parish, but the highest assessment ratio was 10 times that of the lowest.

It is obvious from this that many homeowners are not "getting a good deal" from their assessor.

Figure I shows the range of assessments by quartile for each of the parishes for urban residential property. This approach lists all properties in order of assessment ratio and then divides these into quarters. The bottom 25 per cent is grouped in the lowest quartile, the middle 50 per cent becomes the middle quartiles, and the highest 25 per cent becomes the top quartile. Urban residential property is used because it is the most common and includes the greatest number of samples. The exception is the use of rural residential property in Grant Parish because of the small number of samples in the urban residential class.

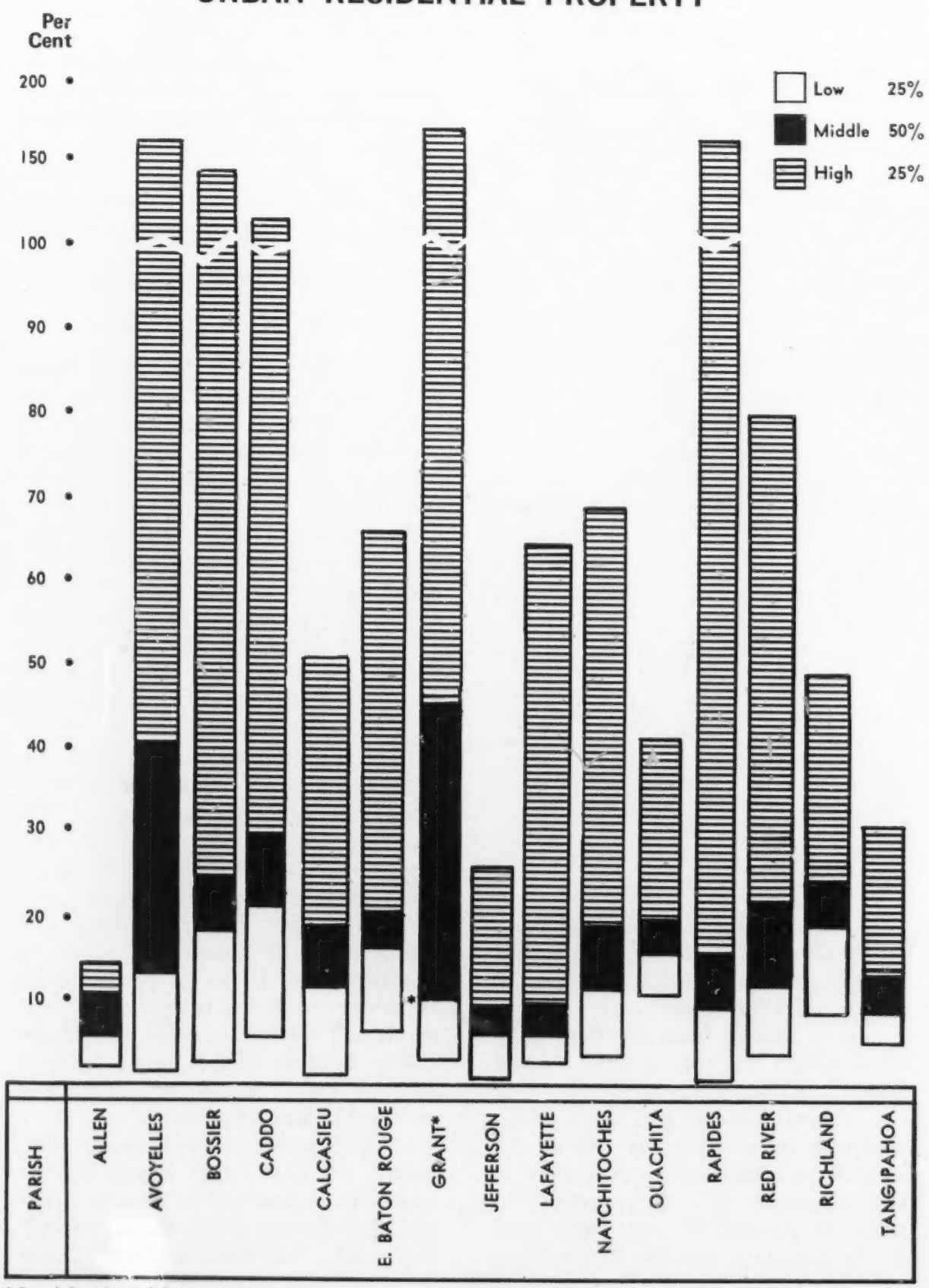
RATIO ACCORDING TO SALE PRICE

In addition to inequities between and within classes of property, the studies also revealed many inequities within the same class of property based on its value. Generally, the higher the sale price of the property, the lower the assessment ratio, although this situation is reversed when the homestead exemption is applied. Table 6 shows the assessment ratio by selling price of property for the parishes studied by PAR, and Table 7 shows the same information for those parishes included in the GSRI study. Separate tables are used because of different groupings according to sale price. The PAR study used under $15,000 to over $40,000 while GSRI used under $5,000 to over $25,000. However, these different groupings make no difference in determining the relationship of assessment ratios to the sale price of the property. Sales of urban residential property are used in both tables, except for Grant Parish, because of the greater number of such sales. Rural residential sales are used in Grant Parish.

All of the parishes except Calcasieu and East Baton Rouge had assessment ratios which generally declined as the sale price of the property increased. Calcasieu and East Baton

FIGURE 1

RANGE OF ASSESSMENT RATIOS BY QUARTILE
URBAN RESIDENTIAL PROPERTY



* Rural Residential Property.

Rouge parishes had very close assessment ratios for most of the sale price categories.

In parishes reflecting a general decline in assessment ratios as the value of the sale increases, it suggests that the assessor is not able to fairly assess higher valued properties or that it is the policy of the assessor to assess houses at a lower ratio as the cost of the house increases.

LOW ASSESSMENTS AND HIGH MILLAGES

Inequities in assessments become more acute and critical in situations in which the level of assessment is low, because low assessment levels generally require high tax millages to meet bond service requirements and local government operating costs. The relationship between assessment levels and millages is illustrated by Table 8 which ranks the parishes from the lowest to highest assessment ratios.

Of the five parishes assessing at less than 10 per cent of full value, average millages ranged from 74.2 to 108.7 with the exception of 49 mills in Red River Parish. Conversely, the five parishes with the highest assessment ratios had average millages ranging from 35.3 to 51.9.

Since low assessment levels generally result in higher millages, an in-

Table 6
ASSESSMENT RATIO BY SALE PRICE OF URBAN RESIDENTIAL PROPERTY, 1970
(PAR Sales-Assessment Ratio Study)

Sale Price	Allen	Calcasieu	E. Baton Rouge	Jefferson*	Lafayette	Ouachita	Richland	Tangipahoa
Under $15,000	7.6%	16.8%	21.2%	9.2%	10.9%	19.1%	22.1%	12.8%
$15,000 to $20,000	2.1	14.7	17.7	8.9	8.1	18.1	19.6	10.4
$20,001 to $25,000	—	14.1	17.4	8.3	8.3	16.2	—	10.1
$25,001 to $30,000	—	14.5	18.3	8.0	7.4	15.6	19.1	8.7
$30,001 to $35,000	6.5	14.0	18.1	7.7	7.2	14.5	14.3	6.4
$35,001 to $40,000	—	15.1	17.8	7.8	6.9	15.2	—	—
Over $40,000	—	9.4	15.2	6.8	5.6	15.5	—	—

*Based on sales in 1969.

Table 7
ASSESSMENT RATIO BY SALE PRICE OF URBAN RESIDENTIAL PROPERTY, 1970
(GSRI Sales-Assessment Ratio Study)

Sale Price	Avoyelles	Bossier	Caddo	Grant*	Natchitoches	Rapides	Red River
Under $5,000	38.6%	40.2%	45.4%	40.8%	23.1%	39.6%	23.9%
$5,000 to $10,000	19.6	23.7	29.4	8.9	14.5	15.2	11.6
$10,001 to $15,000	20.6	21.1	26.2	14.7	16.7	12.7	——
$15,001 to $20,000	——	22.2	24.4	7.8	14.1	10.3	——
$20,001 to $25,000	21.4	19.7	24.8	——	14.8	10.6	——
Over $25,000	12.6	17.2	23.0	——	12.1	9.2	2.9

*Based on Rural Residential property; insufficient usable sales of Urban Residential property.

Table 8
ASSESSMENT AND MILLAGE LEVELS, SELECTED PARISHES

Parish	Average Assessment Ratio	Average Millage
Allen	5.7%	79.4 mills
Lafayette	7.0	62.4
Jefferson	7.5	108.7
Red River	8.7	49.0
Tangipahoa	9.7	74.2
Rapides	11.0	86.8
Natchitoches	12.0	62.8
Calcasieu	14.3	59.5
Grant	14.8	65.2
Richland	15.9	47.6
East Baton Rouge	17.2	48.7
Ouachita	17.4	35.3
Avoyelles	18.3	51.9
Bossier	19.4	50.3
Caddo	24.5	41.6

equity of $1,000 in the assessment on property having the same market value can mean a substantially higher tax bill for the taxpayer with the higher assessment. For example, an inequity of $1,000 in the assessment of two homes of equal value would result in a difference in the tax bill of $108.70 in Jefferson Parish, which has a low assessment level and a high millage, and only $41.60 in Caddo Parish, which has a higher assessment level and a lower millage.

Inequities resulting from low assessments and high millages do not apply to homeowners alone. In fact, the inequities are compounded when related to other property, such as that of public utilities. Property of public utilities is assessed by the tax commission through a statewide policy that does not take into consideration the different assessment ratios within parishes. This results in imposing a substantial tax burden on the utilities in those parishes with low assessment levels and high millages. These inequities result in higher rates being charged the users of the utility services or in lower profit margins for the utility, thereby limiting the investments that can be made in expansions and improvements.

IMPACT OF HOMESTEAD EXEMPTIONS

The homestead exemption program may explain at least in part why some assessors lower the assessment ratio as the sale price increases. One reason for assessing higher priced houses at a lower assessment ratio may be to get all or most of the total assessment covered by the $2,000 homestead exemption and thus relieve the homeowner of paying all or most of the property taxes. Contrariwise, low priced homes could be assessed at a high ratio at or near $2,000 in order to get a greater homestead reimbursement at little or no cost to the owner.

Under the homestead exemption program, the state reimburses local governments for those taxes levied on the first $2,000 of assessed value for homes occupied by the owner and the owner is spared this cost. (Veterans get a $5,000 homestead exemption for a specified period.) Municipal taxes, except for New Orleans, are not included in the exemption nor are those of certain special districts, but this would be only a part of the total tax bill.

The impact of homestead exemptions on the practice of lowering the assessed ratio as the sale price of the property increases is shown in Table 9 for the parishes in PAR's ratio study and Table 10 for the GSRI ratio study. This tabulation shows the ratio on which the homeowner pays taxes in each price category after deduction

Table 9
RATIO ON WHICH HOMEOWNERS PAY PROPERTY TAXES AFTER DEDUCTION OF HOMESTEAD EXEMPTION*
(PAR Sales-Assessment Ratio Study)

Sale Price	Allen	Calcasieu	E. Baton Rouge	Jeff-erson	Laf-ayette	Ouachita	Richland	Tangi-pahoa
Under $15,000	0%	1.4%	5.8%	0%	0%	3.7%	6.7%	0%
$15,000 to $20,000	0	3.3	6.3	0	0	6.7	8.2	0
$20,001 to $25,000	—	5.2	8.5	0	0	7.3	—	1.2
$25,001 to $30,000	—	7.2	11.0	0.7	0.1	8.3	11.8	1.4
$30,001 to $35,000	0.3	7.8	11.9	1.5	1.1	8.3	8.2	0.3
$35,001 to $40,000	—	9.8	12.5	2.5	1.6	9.9	—	—
Over $40,000	—	5.4	11.2	2.8	1.6	11.5	—	—

*Ratio applied to middle of price range except for property under $15,000 which was computed at $13,000 and property over $40,000 was computed at $50,000.

Table 10
RATIO ON WHICH HOMEOWNERS PAY PROPERTY TAXES AFTER DEDUCTION OF HOMESTEAD EXEMPTION*
(GSRI Sales-Assessment Ratio Study)

Sale Price	Avoyelles	Bossier	Caddo	Grant	Natchitoches	Rapides	Red River
Under $5,000	0%	0%	0%	0%	0%	0%	0%
$5,000 to $10,000	0	0	2.7	0	0	0	0
$10,001 to $15,000	4.6	5.1	10.2	0	0.7	0	0
$15,001 to $20,000	——	10.8	13.0	0	2.7	0	——
$20,001 to $25,000	12.5	10.8	15.9	——	5.9	1.7	——
Over $25,000	6.9	11.5	17.3	——	6.4	3.5	0

*Ratio applied to middle of price range except for property under $5,000 which was computed at $4,000 and property over $25,000 which was computed at $35,000.

of the homestead exemption. It is significant that the *effective* assessment ratio tends to be higher on higher priced homes because of the homestead exemption program.

The inequities in the homestead exemption program as a result of low assessments are reflected in these tables. For example, in the parishes of Jefferson, Lafayette and Rapides, all with low assessment ratios, the entire assessment was covered by homestead exemption for houses selling in the $20,000 to $25,000 price category. Houses selling for $50,000 in Jefferson and Lafayette parishes paid taxes on assessments of only 2.8 and 1.6 per cent respectively. A similar situation existed in Allen, Grant, Red River and Tangipahoa parishes. On the other hand, homeowners paid a part of their taxes on homes from $13,000 and up in most of the other parishes.

Parish Reimbursements

Another aspect of the homestead exemption program is that those parishes with the lowest assessment levels usually get a disproportionately large share of the reimbursement by the state. Since the collections from the income, public utilities and alcoholic beverage taxes are used by the state to pay the homestead exemptions, people throughout the state are

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subsidizing the payment of property taxes in those parishes with low assessment levels.

The impact of low assessment levels and homestead exemption reimbursements is perhaps best reflected in the following tabulation relating to four of the larger parishes, two with assessments considerably higher than the other two parishes. (Except for assessment ratios, the data is from the 1969 tax commission report.)

Parish	Residential Assessment Ratio	% of Total State Residential Assessments	Homestead Exemp. Reimbursements as % of State Total	Average Millage (Excluding Municipal)
Caddo	25.3%	13.3%	7.9%	42 mills
EBR	18.2	13.3	9.9	49
Jefferson	8.1	6.4	17.3	109
Rapides	12.1	1.7	4.0	87

Despite the fact that Caddo and East Baton Rouge parishes each had 13.3 per cent of the total residential assessments in the state, East Baton Rouge received 9.9 per cent and Caddo 7.9 per cent of total homestead exemption reimbursements paid by the state. This results because of the higher assessment ratio and lower millage in Caddo Parish. At the same time, Jefferson Parish, with only 6.4 per cent of the residential assessments, received 17.3 per cent of the homestead exemption reimbursements because of the low assessment level and the high millage. A similar situation exists in Rapides Parish which also receives a much greater proportion of homestead exemption reimbursements than is justified by its percentage of total residential assessments.

Jefferson Parish recieved $9.2 million in homestead exemption reimbursements in 1969, or almost as much as the combined amount for Caddo and East Baton Rouge parishes of $3.7 million and $5.8 million respectively. Rapides Parish received $2.3 million.

The method by which parishes with low assessment levels have their property taxes subsidized to a greater extent through the homestead exemption program can be illustrated by the following example of a house valued at $30,000 in Jefferson Parish and one of the same value in East Baton Rouge Parish. The total tax bill for both houses is about the same.

In Jefferson Parish the home would be assessed as follows:

$30,000	true value
x 8.1	per cent average assessment ratio on residential property
$ 2,430	assessed value
x 108.7	mills, average (excluding municipal)
$264.14	total taxes to be paid

Because of the homestead exemption, $2,000 of the assessed value is paid by the people of the state. Thus the people outside Jefferson Parish pay most of the taxes on a $30,000 home for a resident of Jefferson Parish. The state's portion of the above taxes is as follows:

$ 2,000	assessment
x 108.7	mills
$217.40	taxes paid by people of of Louisiana for Jefferson Parish resident

The homeowner in Jefferson Parish pays as follows:

$430.00	assessment
x 108.7	mills
$ 46.74	taxes actually paid by homeowner

In East Baton Rouge Parish this is what happens:

$30,000	actual value
x 18.2	per cent average assessment ratio on residential property
$ 5,460	assessed value
x 48.7	mills, average (excluding municipal)
$265.90	total taxes to be paid

The $2,000 homestead exemption produces the following breakdown in taxes actually paid by the state:

$ 2,000	assessment
x 48.7	mills
$ 97.40	taxes paid by people of Louisiana for East Baton Rouge resident

The East Baton Rouge homeowner's portion is as follows:

$ 3,460	assessment
x 48.7	mills
$168.50	taxes actually paid by homeowner

Despite the fact that the total tax bill on the homes was almost identical in each parish—$264.14 in Jefferson and $265.90 in East Baton Rouge—the state subsidized the Jefferson Parish homeowner to the extent of $217.40 and only $97.40 for the East Baton Rouge homeowner.

In other words, the homeowner in Jefferson Parish only pays $46.74 out of a total tax bill of $217.40 while the East Baton Rouge Parish homeowner pays $168.50 out of a total tax bill of $265.90. The state pays the difference in each case through the homestead exemption program.

COMMENTS AND RECOMMENDATIONS

The current and past studies of assessment ratios in Louisiana parishes revealed substantial inequity in the administration of the property tax. Persons with houses of the same value in the same parish and subject to the same millage levy paid different tax bills because of the different assessments on their homes. Those favored with low assessments paid lower tax bills while others paid more than their share. This is contrary to the laws of Louisiana, but little or nothing is being done about it. The great inequities found in the 1958 data were still evident in the 1970 data.

The difference in average assessment ratios among parishes causes inequities in the amount paid by individual taxpayers for the state 5 3/4 mill levy and for taxes levied on a multi-parish basis. For example, a property owner in a parish with an assessment ratio of 20 per cent would pay twice as much in state property tax as a property owner in a parish with an assessment ratio of 10 per cent.

Differences in assessment levels among parishes result in those parishes with low assessment levels and high millages receiving a disproportionate share of homestead exemption payments at the expense of the general taxpayers of the state because of state payment of these taxes. Also, the assessed valuation is a factor in computing the amount of state aid for education paid to parish school systems, and a parish with a low assessment level receives a disproportionately large amount of money from the state. In this instance the state actual-

ly pays a premium to the parishes making the least effort to support their schools—a reverse incentive.

The wide range of assessment ratios within classes and the substantial difference in levels of assessment between classes indicate either the inability or lack of desire of elected assessors to assess fairly and equitably, or that they are purposely favoring certain individuals and discriminating against others. Some of these actions may be politically motivated.

Many people who believe the assessor gave them a "good deal" have been misled. They need only to compare the assessment on their property with the assessment on other property to find that there are many others who are more favored than they.

Other persons are content that their assessments are low and are all or mostly covered by homestead exemption so they pay little or no property taxes. This can only lead to a deterioration of services provided by the local governments, such as schools, drainage, roads, and fire and police protection as is obvious in Jefferson Parish, for example. It also makes local governments more dependent on other tax sources for whatever money is raised.

To bring equity to the administration of the property tax so that all property owners are treated fairly, it is recommended that:

1. The constitution be amended to provide that local assessors be appointed by the parish governing body rather than being elected. The Louisiana Tax Commission should establish qualifications for the position of assessor, and require that all applicants make a passing score on a test prepared and graded by the International Association of Assessing Officers. This authority should be given the tax commission by legislative act.

The International Association of Assessing Officers is an organization of assessors that works towards bringing professionalism and competency to assessing, and it recommends that assessors be appointed rather than elected. The Advisory Committee on Intergovernmental Relations, an official agency composed of representatives of federal, state and local governments, also recommended appointive assessors as a result of its study of property tax problems.

2. The Louisiana Tax Commission conduct periodic training programs for all assessors so that they can become acquainted with the best assessing methods and make the best use of the assessing manual the tax commission has distributed to all assessors.

3. Financing of the office of assessor be by appropriation by the parish governing body. Presently, assessors' salaries and expenses are fixed by the state Legislature and are deducted from property tax collections. There is no relationship between the work to be done and the funds provided. Appropriations by the parish governing body will provide a better opportunity for control of spending and permit the governing body to provide funds in accordance with the job to be done. Such a change would require an amendment to present laws pertaining to the financing of assessor's offices.

4. The Louisiana Tax Commission begin immediately to comply with Article X, Section 4, Paragraph 10 of the constitution which requires that "To determine the assessment ratio

of locally assessed property, the Louisiana Tax Commission shall annually determine in each parish the assessed value of all locally assessed property in relation to actual value." This provision was approved by the voters in November 1964, but has been ignored by the tax commission.

5. The Constitution be amended to provide that property be listed on the tax rolls at actual or full cash value but that taxes be applied at only a fixed proportion of that value, such as 25 per cent. Inasmuch as property is not now being assessed at full value despite such a requirement in the constitution, the proposed change would eliminate the possibility of a court decision forcing assessment and taxation at full or 100 per cent of value. Implementation of this change should be made over a five-year period in accordance with the recommendations of the Governor's Advisory Committee to the Louisiana Tax Commission. (See *PAR Analysis* No. 130, December 1965.) This plan provides for an automatic rollback of tax millages if the level of assessment is increased.

6. The Louisiana Tax Commission begin immediately to follow its statutory and constitutional mandate to require fair and equitable assessments within and among parishes.

7. A limitation be imposed on the number of mills for which local governments can be reimbursed under the homestead exemption program so that the present abuses of the program can be curtailed. This limitation could be eliminated when all property in the state is assessed at the same ratio.

In conclusion, the property tax is and will continue to be a major source of revenue for local governments. Consequently, it is imperative that the extensive inequities in property tax administration in Louisiana be eliminated. Two of the most important steps in this direction are to make the assessor appointive rather than elective and to require that the tax commission carry out its legal mandate. The job of assessor is administrative in nature and must be professionalized, not politicalized, if there is to be equity.

Fair and equitable assessment is possible, but this can only be done in Louisiana if there is a willingness to change present practices.

PAR Analysis

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